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2 Farm Trade Act Paves Way For Gains in U.S. Exports

5 U.S.-Canadian Pork Trade Patterns To Reverse

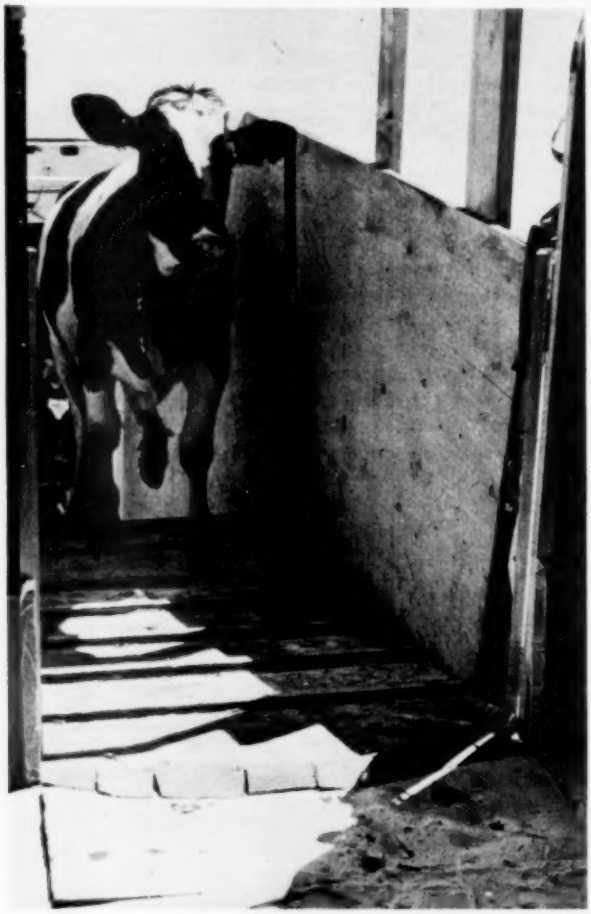
6 Brazil Boosting Farm Output To Meet Growing Export and Domestic Needs

Brazilian coffee pickers winnowing newly harvested coffee berries from waste materials.

Agricultural Trade Act Paves Way for Gains In U.S. Farm Exports

By Ron Deaton

Following a record-breaking showing of more than $27 billion in the fiscal year just ended, U.S. farm exports will get another shot in the arm from the just-passed Agricultural Trade Act of 1978. The new law focuses on market development and additional credit provisions as means of boosting U.S. agricultural exports. It could also help enlarge the already hefty U.S. farm trade surplus and thus narrow the deficit in total U.S. trade.



U.S. exports of breeding cattle could benefit measurably from the intermediate credit provided in the new farm trade act.

On October 21, 1978, President Carter signed into law the Agricultural Trade Act of 1978. This important legislation promises to be the most significant development in U.S. Government efforts to promote export sales of farm commodities since the Agricultural Trade Development and Assistance Act of 1954. The law is the result of a widespread consensus among members of Congress, the Carter Administration, and the farm sector that more can be done to promote and expand foreign sales of the abundance produced by U.S. farmers—and in ways that benefit the nation.

The key provisions of the new law can be summarized as follows:

- **Intermediate credit.** Authority is provided for a new Commodity Credit Corporation (CCC) loan program with repayment terms of 3-10 years.
- **Credit sales to the People's Republic of China (PRC).** The PRC is made eligible for 3-year credits.
- **Agricultural counselors.** Authority is provided to the Secretary of Agriculture to raise the status of at least 10 Agricultural Attachés to the diplomatic rank of Counselor.
- **Agricultural trade offices.** Authority is provided for the Secretary of Agriculture to establish between 6 and 25 agricultural trade offices in the most important commercial regions of the world.

The legislation resulted from the widely held belief that the United States could improve the sale of U.S. farm commodities abroad by increasing and strengthening the tools available for market development. It received overwhelming support in Congress and passed both houses with little opposition.

The importance of U.S. farm exports has grown massively in the decade of the 1970's. The objective of the new law is to maintain and expand on recent sales.

Domestic farm programs, including the 1977 farm bill, are dependent on an export outlet for the commodities produced in excess of domestic needs. At present, nearly one out of three acres of harvested crops in the United States goes into international commerce. Without these exports, the United States would be saddled with large crop set-aside programs, increased deficiency payments, costly Government stock acquisitions, and even larger budgetary expenditures.

The ripple effect of benefits from agricultural exports is felt throughout the entire U.S. economy. Agricultural exports generate about 1.2 million jobs, but only 500,000 are directly

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involved in farm production. The rest are employed in food processing and other manufacturing related to it, as well as trade, transportation, and other services necessary to move the commodities abroad.

The total business activity generated by the production, processing, transport, and export of agricultural commodities may exceed $50 billion.

The nation as a whole also is highly dependent on export sales as one of the few bright spots in an otherwise-dim balance-of-trade picture. Export sales of U.S. farm commodities have gone from less than $7 billion in 1968 to over $27 billion in 1978. Estimated earnings for the major exports in fiscal 1977 (October-September) included $5.7 billion for soybeans, soybean oil, and meal; $4.5 billion for corn; and $3 billion for wheat. All are projected to be higher in fiscal 1978.

The net favorable agricultural trade balance of the United States has recently totaled $10-$13 billion per year, despite an overall trade imbalance in excess of $20 billion. Clearly, the future health of the U.S. dollar is linked to the volume of agricultural exports and the earnings they produce.

The sponsors of various legislative proposals leading to passage of the Agricultural Trade Act of 1978 shared two common views: (1) They recognized the recent successes in increasing overseas sales by building upon programs already in existence; (2) they stressed the creation of new legislative authorities that would provide additional tools beyond those in existing law.

The result was a package that combined the strengthening of traditional mechanisms, such as the CCC's 3-year loan program and the Foreign Agricultural Service's network of attaché's, with innovations such as the trade offices.

The legislative process that resulted in the passage of the Agricultural Trade Act of 1978 began with the introduction of export credit proposals shortly after the 1977 farm bill was signed into law by President Carter in August 1977. The first major bills were introduced by the late Senator Hubert Humphrey of Minnesota in the Senate and by Congressman Paul Findley of Illinois in the House. They contained provisions for intermediate credit and CCC loans to nonmarket countries.

A large number of agricultural export bills were introduced in both houses at the beginning of the second session of the 95th Congress. The most comprehensive legislation was first introduced by Congressman Poage of Texas and Congressman Mathis of Georgia. A similar bill was introduced in the Senate by Senator Clark of Iowa. Provisions in their bills for Counselor status for agricultural attachés and for creation of agricultural trade offices were adopted by the lawmakers.

The legislation was referred to the Committee on Agriculture, Nutrition and Forestry in the Senate and to both the Committee on Agriculture and the Committee on International Relations in the House.

A major reason for the fairly rapid consideration and successful passage of the Agricultural Trade Act of 1978 was the broad consensus among farm groups that recent export sales growth should be consolidated and expanded.

The widespread dissatisfaction among farmers over commodity price declines during the fall and winter of 1977/78, which precipitated the emergence of the American Agriculture Movement, gave added impetus to the passage of the legislation.

In March 1978, hearings were held in the House of Representatives on the various measures. Similar hearings were held in the Senate in April. There was extensive testimony from a wide variety of individuals and groups regarding the merits of the bills and the needs to which they had been directed.

There was broad agreement that agricultural trade offices would be beneficial in many ways. Witnesses noted that the trade office can serve as the focal point for market development activities within a region of high potential commercial activity. By locating the private commodity sales effort together with the services provided by the trade officer, a "one stop" center for export promotion and sales effort can be achieved.

In particular, it was noted that trade offices could help pinpoint additional areas of market potential and provide advice on local laws, local travel, foreign exchange restrictions, and foreign national employment regulations.

There was also widespread support for upgrading a number of agricultural attachés to the rank of Counselor in major posts. Despite the key role that U.S. food and agriculture plays in world affairs, the Counselor designation had been unavailable to representatives of the Department of Agriculture since 1954.

Witnesses argued that this change would provide greater diplomatic ranking and entree with foreign officials for the agricultural attaché. Senator Clark, in urging Senate passage of the Agricultural Trade Act, noted that increased effectiveness and a higher visibility for the role of overseas market development is a major goal of the new law.

The new ranking for agricultural attachés is a reflection of this increasing importance for U.S. agriculture in world affairs.

Differences emerged over the issue of expanding

credits to nonmarket countries and the issue of creating a new intermediate credit program. These proved to be the most controversial items in the legislation.

The Senate Agriculture Committee declined to alter the prohibitions on credits to the nonmarket countries, which were established in the Trade Act of 1974, other than to make the PRC eligible for 3-year CCC credits.

In the House, both the Agriculture and International Relations Committees were supportive of expanding CCC eligibility. The bill originally reported by the House Agriculture Committee would have made several other nonmarket economy countries eligible. However, the measure was amended by the House International Relations Committee to limit that additional eligibility to the PRC—and a few East European countries.

The Conference Committee resolved the issue by limiting eligibility to the People's Republic of China.

The issue of intermediate credit as an addition to both the 3-year CCC program and the Food for Peace Program also produced considerable debate. The principal concern was that unlimited authority and use of such a program could initiate a credit war among competing exporters that would be a disservice to all. This led to efforts to clarify its purposes and restrictions in ways that would reassure other countries as to the limited purposes for intermediate credit.

The Administration stressed the value of such credits for financing the export sale of breeding livestock, in view of the time necessary to generate returns sufficient for repayment. In addition, the potential use of such credits to provide financing and accumulation of stocks as part of an international grain reserve was recognized and endorsed by the Administration.

The Senate and House Committees considered other uses and purposes for intermediate credit as well. Of particular interest was the potential of such credits for financing facilities abroad to remove bottlenecks in storage, handling, or transportation of commodities. The law as passed by Congress and signed by the President includes new authority in this area.

Passage of the law came quickly as the end of the 95th Congress drew near. The Senate passed the bill on September 8—by an overwhelming majority of 65 to 1. The House passed it by a majority of 325 to 62 on September 25. The Conference Committee convened to resolve the differences on October 4 and 5 and final passage in both Houses was perfunctory. A few days later, President Carter signed the Agricultural Trade Act of 1978. □

President Carter Announces New Export Initiatives

President Carter recently announced a new program of initiatives to enhance exports of U.S. agricultural and industrial products. The measures are intended to help reduce the U.S. trade deficit, strengthen the dollar, and contribute to the Administration's efforts to combat inflation and unemployment.

In his September 26 statement, President Carter focused on the trade deficit problem that has become chronic in recent years. That deficit hit more than $30 billion in the fiscal year just ended, reflecting in large part this country's heavy dependence on imported oil and the lack of U.S. exports sufficient to balance import costs.

U.S. exports have grown at a slower rate than those of other industrial countries, in part because growth rates abroad have been inadequate to stimulate demand for U.S. products, particularly industrial goods.

"Over the past 20 years, our exports have grown at only half the rate of other industrial nations and the United States has been losing its share of world markets," the President said. "Until now, both business and government have accorded exports a relatively low priority."

The export program consists of three broad sets of goals:

- Increased direct assistance to U.S. exporters;
- Reduction of domestic barriers to exports; and
- Reduction of foreign barriers to U.S. exports to secure a fairer international trading system.

Among the actions announced to achieve these objectives is expansion of loan authority for the Export-Import Bank—from $700 million in fiscal 1977 to an estimated $4.1 billion by fiscal 1980. This will improve the Bank's competitiveness and provide more flexibility in its terms of financing for U.S. exporters.

Other measures include an expanded role for the Small Business Administration in assisting small business exporters and expanded funding for export-promotion ventures of various Federal agencies.

The President emphasized the important role of agriculture as a highly successful component of the U.S. trade balance. The Administration's export program aims at strengthening the recent success story of agricultural exports—the brightest area of U.S. trade in recent years. In addition, it focuses on expanding sales of industrial products so that the overall export performance of the United States can be enhanced.

U.S. agricultural exports in fiscal 1978 are estimated at a new high of over $27 billion and contributed a net agricultural trade surplus of about $13.5 billion.

Among the agricultural programs and measures endorsed by the President are opening of Agricultural Trade Offices abroad, increased funding for the Foreign Agricultural Service's cooperator program, and authority for Commodity Credit Corporation loans in excess of 3 years for selected agricultural exports.

At the conclusion of the announcement of his new initiatives, President Carter cautioned that this was a major challenge that would not yield to short-term or easy solutions. Rather, it would require a continuation of aggressive market development efforts and a position of sustained high priority.—*Ron Deaton, FAS.* □

U.S.-Canadian Pork Trade Patterns To Reverse in 1978

By George C. Myles

Pork trade between the United States and Canada for 1978 is expected to depart from the trend of the past 3 years, with Canada shipping more pork to the United States and U.S. pork exports declining from levels of the past few years.

The United States continues to be a net exporter of pork to Canada, but by a smaller margin. U.S. exports to Canada are estimated near 50,000 tons for 1977—the fourth straight year that the United States has been a net exporter to Canada. Before 1975, the United States was usually a net importer.

Canada's pork exports to the United States may double this year to 20,000 tons from 10,000 tons a year earlier as a result of increased production, which is expected to total 585,000 tons—8.5 percent greater than pork output in 1977.

Also contributing to higher Canadian shipments to the United States is the lower value of the Canadian dollar compared with the U.S. dollar.

The same forces have also been reducing the level of Canadian pork imports from the United States. During January-August 1978, imports of U.S. pork were running 45 percent below imports during the comparable period of 1977.

Firm prices for market hogs in Canada throughout 1977 led to overall increases in breeding stock numbers and farrowings by early 1978. Increased output in eastern Canada will account for most of the 1978 rise in pork production, although a modest gain is expected in the western part of the country. But slaughterings in the west—expressed as a share of total Canadian slaughterings—may be expected to decline further in 1978.

Also contributing to greater Canadian pork production in 1978 is the revision of Canada's Federal hog grading regulations that were put into effect on January 2, 1978. The new regulations permit producers to market heavier hogs that were previously discounted under Canada's index evaluation system of backfat measurement. Slaughter weights thus far this year are up 4 kilograms or about 5 percent from last year's levels.

The system will operate on a temporary basis for 1 year, after which the Canadian Department of Agriculture will asses the amended system with hog and meat packing industries.

During 1975-77, developments within Canada's domestic hog industry and changing pork trade patterns made Canada into a net pork importer.

Canadian imports of U.S. pork have climbed steadily since 1972, when 15,700 tons (carcass-weight equivalent—cwe) of U.S. pork accounted for about 76 percent of total Canadian pork imports. By 1977, imports of U.S. pork had risen to 90,175 tons (cwe)—representing 98.5 percent of Canada's imports.

Much of the gain in imports of U.S. pork, particularly during 1975-77, entered western Canada, where pork supplies were reduced as a result of both declining pork production in the western part of the country and an increase in pork exports to Japan under contract with the Prairie Provinces' hog marketing boards.

Japan is currently Canada's major export market for pork. Prior to 1975, the United States absorbed most of Canada's pork exports, but since that time, exports to Japan have increased while those to the United States have declined.

Canadian pork exports in 1977 totaled 46,000 tons (cwe), valued at Can $125.7 million. Of that amount, 10,000 tons, valued at Can $22.2 million, went to the United States; 33,750 tons, valued at Can $99.5 million, were shipped to Japan.

In January-August 1978, Canadian pork exports to the United States ran at an annual rate of 20,000 tons, double the 1977 level.

During 1978, exports of Canadian pork to Japan will likely be more dependent on spot sales, as pork export contracts—negotiated over the past few years with the Provincial hog marketing boards of Alberta, Saskatchewan, Manitoba, and Ontario—begin to expire, with renewal prospects uncertain. During January-August, pork exports to Japan were 28 percent below year-earlier levels.

During the 1970's, developments within both Canada's grain and livestock industries have been reshaping pork production. Traditionally, the basis for a viable hog industry in the western part of the country has rested securely on the demand for pork in the eastern Provinces. Thus, western producers had the alternative of using western feedgrains to raise hogs during years of low cash returns for grain sales.

Starting in 1972, greatly improved grain prices and higher initial payments by the Canadian Wheat Board to producers for feedgrains appeared to be disincentives to hog expansion in the west. In following years, hog production on the prairies began to be consolidated into larger units with fewer grain producers following the tradition of phasing in and out of hog production as hog and grain market prices dictated.

By April 1976, the Canadian Government announced its Western Grains Stabilization Program, designed to stabilize the net cash flow to commercial grain producers on the prairies. Under the program, the guarantee that net cash flow for grain producers would not fall in any given year below the average of the previous 5 years removed the market risks of grain production, further discouraging hog production expansion.

More recently, energy-related employment opportunities in the construction industry in Alberta—the west's main hog-producing Province—have offered an attractive alternative to grain farmers who raise hogs in the offseason.

During 1970-77, federally

Continued on page 10

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Brazil's Challenge: Boosting Farm Output To Meet Growing Export And Domestic Needs

Brazil, with its rapid growth in farm production and exports, is the Horatio Alger of agriculture. It has become the world's third largest farm exporter with a myriad of products ranging from soybeans to mangoes. However, the country has a serious challenge to meet: Growing domestic demand that could inhibit export trade in the next decade. Leon G. Mears, leaving Brazil after 2 years as U.S. Agricultural Attaché there, reflects on Brazil's agriculture—where it is going and its prospects for success.

Generating a sufficient volume of agricultural production to meet expanding domestic and export demand is the major challenge confronting Brazil for the next decade or more.

Says Leon G. Mears, former U.S. Agriculture Attaché in Brasília: "Brazilian agriculture will have a great challenge in the immediate years ahead meeting increased domestic needs, and this will tend to restrict the quantity of agricultural products moving into the world export market." In short, greater domestic consumption means less food and feed for export.

According to Mears, rapid expansion in agricultural production is almost a foregone conclusion for Brazil. Its potential as a farm producer has barely been scratched, and no other country in the world has increased agricultural exports more rapidly than has Brazil in the past 2-3 years. In 1977, agricultural exports contributed about 65 percent of total foreign exchange earnings. Brazilian agriculture, said Mears, holds several strong cards—land resources, Government support, and increased foreign investment.

"Brazil's rich agricultural resources are perhaps its greatest strength," Mears said. "At present, only 5 percent of Brazil's total land area is under cultivation. A number of studies in recent years have indicated that about 30 percent of the land can be utilized for agriculture."

The Brazilian Government has a number of domestic regional development programs aimed at developing the agriculture of frontier or chronically low-income areas. The principal tools of these programs are investment credits at favorable terms for private investors.

Among the areas targeted for these programs are the cerrados (the savanna area covering most of the State of Goias, and parts of Mato Grosso, Minas Gerais, and other states), the north and northeast parts of the country, and the Amazon Basin. There are also sectoral development programs for livestock, limestone, grain, alcohol, and pork.

"In addition to land resources, the Brazilian Government has provided strong support to the agriculture because of the important role farming and farm exports play in Brazil's economy."

The goal for agriculture in the Second National Development Plan (1975-79) is a 7-percent annual growth rate, to be achieved through remunerative minimum prices for agricultural commodities, attractive credit terms, support to research and extension, and improvement of the infrastructure of rural areas. Convinced that only better and more intensive research can lead to higher productivity, the Government has given high priority and a hefty budget to research and education in agriculture.

The Government is also concerned with maintaining adequate food supplies for the population at reasonable prices and with promotion of expanded agricultural exports.

The third major factor supporting the conclusion that agriculture will expand is the important and growing foreign investment in Brazilian agribusiness (farm machinery, farm chemicals, fertilizer, and seed) by the United States, Japan, West Germany, the Netherlands, Canada, and others. Most of the firms from these countries are investing in Brazil because of the widespread recognition that Brazil holds the opportunity for agricultural growth. These countries see Brazil as a last frontier.

But tempering this optimism over the heights to which Brazilian agriculture can reach is the reality of Brazil's increasingly affluent as well as growing population. The Government's attempt to improve the diets of the country's people is a major challenge for Brazilian agriculture.

"There are a number of low-income Brazilians (35-40 percent of the population), particularly in the northeast part of the country that has traditionally been a poor area with per capita incomes substantially lower than in other parts of Brazil," explained Mears.

"The basic diet of a large number of people in this area has consisted mainly of manioc, beans, rice, and a wide variety of fruits. The Government has a number of programs aimed at assisting the poor sectors of the economy in consuming higher quality foods. As these low-income people earn more money and as their purchasing power increases, they immediately begin to buy more animal products—meat, milk, and eggs—and vegetable oil. They begin to smoke more cigarettes and purchase more textiles.

"This factor, combined with Brazil's rapidly growing population (the annual growth rate is roughly 2.8 percent) has resulted in a dramatic rise in demand for selected commodities. It will take at least a decade to bring the consumption level of many of these commodities to a more reasonable level," said Mears. "Until then, we expect very sharp annual increases in per capita demand for selected food items, cigarettes, and textiles.

"Beyond the next decade or so," continued Mears, "we

By Lynn Krawczyk, staff writer, *Foreign Agriculture.*

believe that the annual growth in per capita consumption of many of these commodities will begin to decline somewhat. Absolute increases in consumption will continue, but the annual growth rate will be somewhat less per capita.

"We also believe that by that time the population growth rate will begin to decline rather significantly."

Mears added, "Beyond the mid-1980's, more rapid expansion in agricultural exports will be seen, particularly of soybeans, feedgrains, and perhaps rice.

"For some commodities—coffee, cocoa, sugar, soybeans, corn, tobacco, orange juice, and poultry meat—exports will continue to expand and outpace the growth in domestic consumption."

To meet the challenge facing its agricultural economy, Brazil is gearing up to expand farm production. According to Mears, the expansion in agriculture is moving northward.

"Traditionally," he explained, "most of the commercial production in Brazil was in the southernmost States—Rio Grande do Sul, Santa Catarina, and Paraná. But now we see agriculture moving both northward and westward into the huge State of Mato Grosso and other frontier areas.

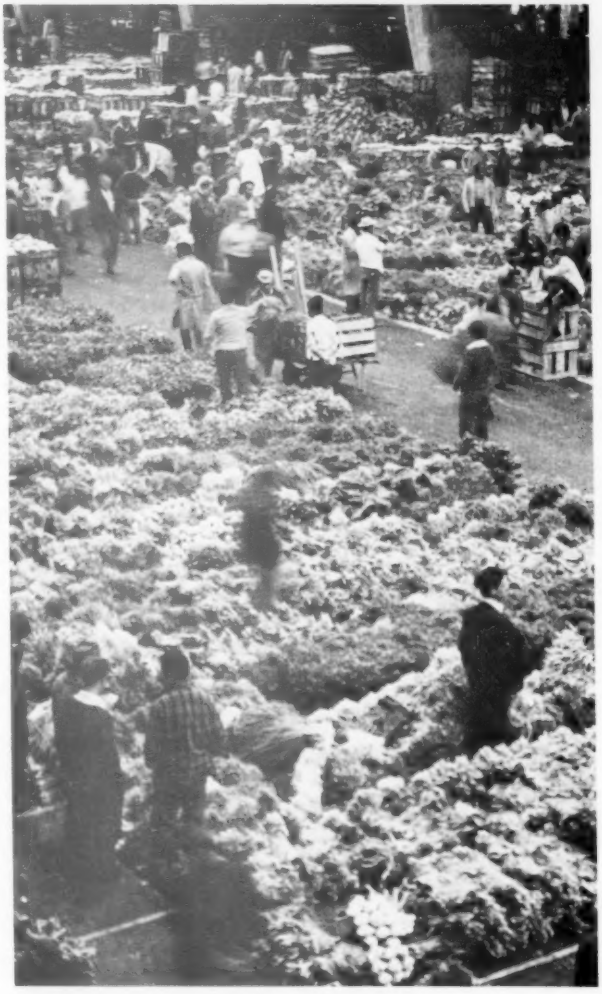
"The State of Mato Grosso is roughly twice the size of France and has only come into agricultural production in a meaningful way in the past 4-5 years. Even today, most of the land is not being used for agriculture. The southern part of the State has a large area of deep, rich, red soil that has also made the State of Paraná famous for its agricultural productivity."

Said Mears, "The State of Minas Gerais is another large area in the central part of the country that is becoming increasingly important as an agricultural producer. Minas Gerais currently is the largest dairy-producing State; in the southwestern part, there is a large area that is well suited for corn farming. Much of the increase in Brazil's corn output in recent years has come in this part of the State—the so-called Minas Triangle."

The crops involved in this expansion to other states are corn, soybeans, coffee, and rice. According to Mears, not only greater planted area is being used to up production, but expansion in yields, as well. "Yields of corn in Brazil are very low, especially relative to soybeans. In some areas of Brazil, yields of corn are no higher than those of soybeans. This is in sharp contrast to what we see in the United States. The average soybean yield in Brazil is around 25.5 bushels per acre, while the yield for corn in many of these same areas is only 25 bushels per acre." (In the United States, average soybean and corn yields are 28 bushels and more than 90 bushels per acre, respectively.)

Corn is the most widely planted crop in Brazil, covering about 25 percent of the country's crop area. Output has risen from around 10 million metric tons in the early 1960's to 17-18 million tons in recent years. The largest domestic market for corn is Brazil's fast-growing mixed feed industry, which absorbed nearly 5 million tons of corn in 1977. Corn exports are also on the rise.

Another crop that will probably expand, although perhaps at a slightly slower pace than has been seen in recent years, is soybeans. Soybeans are one of Brazil's wonder crops. From 206,000 tons in 1960, output grew to 12.2 million tons in 1977. Although drought has cut this



Top: Grain bins and vegetable oil processing facilities at a farmer cooperative in Rio Grande do Sul, Brazil. Above: A section of São Paulo's Jaguaré market. Brazil's plans for growth of its agriculture are based on remunerative minimum prices, attractive credit terms, strengthened research and extension services, and improvement of rural infrastructure.

Cutting sugarcane in northern Paraná.

year's output to around 10 million tons, soybean production is expected to rebound next year and in the future.

Not only traditional soybean lands are being expanded; some soybeans are being planted in more tropical areas further north. But there is one barrier to this region—climatic conditions.

"Diseases and weeds are going to be a major problem in the future for Brazilian soybeans. Brazil does not have the cold weather that we have in the United States. As a consequence, some of the diseases, weeds, seeds, and insect larvae are not killed by strong freezes as they are in the United States. Continuously cropping soybeans without proper rotation also tends to aggravate the disease and weed problems.

"In some of the more tropical areas up north," Mears continued, "one of the limitations—using current varieties—is the amount of daylight the soybeans receive. Soybeans are very responsive to daylight. In the tropics, they get too much light.

"The Brazilians have conducted some experiments on soybeans up in the territory of Roraima along the Venezuelan border in the northern hemisphere with good results. One of the advantages for the Brazilians in producing soybeans in this area is that all the inputs—machinery, fertilizer, and seeds—can be brought up the Amazon River and then up the Boa Vista River by ship; the production is also taken out by ship, reducing transportation costs significantly.

"However," he added, "I do not think that production will be very significant up in those tropical areas for a number of years, until the technology and improved varieties have been developed for that area.

"In addition to Roraima, which has 3-4 million hectares that are fairly well suited for soybeans and corn, there is the territory of Rondonia in the westernmost part of Brazil, bordering on the Amazon Basin. Here, too, the soils are rich and deep, and inputs and output can be transported by ship. But again, the production potential is one of long-term growth.

"Coffee production," said Mears, "is also moving northward. After the freeze in July 1975, the expansion in coffee tree planting in areas further to the north accelerated. Trying to escape the periodic freezes that have caused great difficulty for the coffee industry in Brazil, coffee trees are now being planted in Minas Gerais, Goias, and Mato Grosso. Coffee is also being planted in Bahia and on the fringes of the Amazon.

"The bulk of coffee production is still in the States of Paraná and São Paulo. Both States are susceptible to occasional frost.[1] With the movement of coffee production northward, the risk from freeze damage is reduced, but the chance of drought damage increases. Further north in Brazil, there are distinct wet and dry periods. If the dry period is unusually lengthy, it has a severe impact on coffee yields. So in the future, we're likely to have two basic factors—frost and drought—impact on year-to-year coffee output."

Rice is another crop that could grow in importance for Brazil. As parts of the State of Minas Gerais and other states further north come into irrigation, rice production is expected to grow. In the far northeast, there are a number of irrigation projects for rice that will be completed in the next year or so.

Mears said that rice is considered to be one of the more attractive crops in the frontier areas. Rice tends to be tolerant of the acid soils, and until the soil is corrected with limestone and phosphates, rice does better than other crops such as soybeans.

"In frontier areas, for the first few years until land is brought into production, Brazilian farmers tend to plant rice. During a period of 1-3 years, farmers apply limestone and phosphate fertilizers, then shift from rice to soybeans and corn. As these new areas expand, there will probably be larger rice production in Brazil. This is also the case as more areas come under irrigation," explained Mears.

"Rice consumption is growing rapidly in Brazil," he said. "Again, the shift from manioc to wheat foods, rice, and beans has made it a more important crop than in the past.

"Some people" said Mears, "believe that Brazil will be a major rice exporter starting in about 2-3 years. However, Brazil's production costs are much higher than those in the United States, so we're not so certain about Brazil's potential as a large exporter of rice. In certain years—assuming good weather—it will be a sizable exporter. In other years, exports will be very small.

"Although Brazil will not export any rice this year, or perhaps just a small amount of brokens because of the severe drought, it normally exports a couple of hundred thousand tons, which is quite small compared to what the

[1] *This interview was conducted prior to the recent low temperatures in these States, which were not nearly as severe as the 1975 frost.*

United States exports. For Brazil, export potential hinges on rice projects in the northeast. There are a number of U.S. investors that are putting money into rice production close to Belém and that area of Brazil where very large areas of rice are coming into production. We are not convinced that it is efficient production at this point . . . we'll have to wait and see."

Brazil, currently the second largest exporter of cocoa and products, is also expanding production of that item, and believes that within the next decade it will move into the No. 1 spot. About 3 years ago, according to Mears, Brazil launched a major cacao expansion program aimed at increasing cacao production area outside of the traditional producing area of Bahia.

Some 90 percent of Brazil's cacao production is exported. Half of these exports are shipped in the form of processed products such as cocoa butter, cake, powder, and liquor. Domestic processing of cocoa will continue to increase in the future; exports of processed products receive tax incentives not available for cocoa bean exports.

"Brazil's basic strategy," said Mears, "is to export the processed or semiprocessed cocoa products, rather than the raw product. This strategy is reflected in Brazil's agricultural products across the board—soybeans and meat, for example."

Auguring well for Brazil's increased production of farm products and for expanded area are its natural resources, Government support, and foreign investment. But there are major obstacles the country must hurdle if it is to up production enough to keep pace with domestic and export demand.

"Perhaps the biggest bottleneck for Brazilian agriculture," Mears said, "is transportation." Facilities are inadequate for efficient transport of commodities because of the growth in the amount of commodities (particularly soybeans) available for export and the overdependence on truck transport.

"A few years ago," Mears explained, "Brazil made a major policy decision to expand roads primarily for automotive and truck transportation. Railroad expansion and modernization took a back seat to cars and trucks. With the advent of the petroleum crisis, gasoline prices went up sharply and today approach $2 per gallon. The cost of transporting bulk commodities such as soybeans, corn, and rice has jumped very sharply and is a major factor in the total production and marketing cost.

"Most of the frontier areas are a long way from the consuming centers and from ports. As a consequence, transportation costs are very high. Recent studies have indicated that the marketing cost for soybeans from the farm gate to the oilseed crushing plant or the seaport is five times the cost for similar movement of production in the United States. Included in that figure are the internal taxes the Brazilian Government places on agricultural products.

"But the major portion of the marketing cost is that of physically moving the product. Most of this is done by truck, a fairly small share by railroad, and very little by barge."

Mears said that the transportation problem will be an extremely difficult one to overcome and is a problem that everyone recognizes but for which no one has an effective, low-cost solution. "It's going to be expensive to build railroads," said Mears, "which would probably be the best answer in the long run. It will be expensive to dredge rivers and to build canals to utilize what barge traffic can be effectively put to use in Brazil. The great distances over which commodities must be transported also complicate the issue dramatically."

Mears explained that Brazil is attempting to solve the transportation problem by one means of alternative fuel:

"Brazil has launched a major national alcohol program aimed largely at displacing a sizable share of gasoline consumption with domestically produced alcohol from sugarcane and manioc. The program is coming along very well, is ahead of schedule, and—while there are a number of problems to be resolved—looks quite promising at this time. Perhaps over the long term, that is, in 10-15 years, this program will prove to be at least a partial solution to Brazil's transportation problem."

Mears cited another problem: "Brazil has an abundant supply of labor at relatively low cost, but the problem is that much of the labor is unskilled. The weakness is that the country needs to train more people in agricultural skills. Brazil has launched a number of agricultural training programs, and some Brazilians are studying abroad—not only in the United States, but also in France, West Germany, and Japan—to bring home the most up-to-date skills that are being used around the world in the agricultural sector."

In addition to the drought, which has caused reduced availabilities of commodities for export and stimulated imports of certain commodities such as corn, Brazil has the problem of declining world prices for sugar, coffee, and cocoa.

"There are some long-term trends starting to develop here," said Mears. "It could be that these commodities (especially coffee and sugar) may be in long supply in years ahead. There are indicators pointing in that direction. On balance, this would mean reduced prices for these commodities, which are all very important to Brazil. Brazil is the No. 1 coffee producer and exporter, the No. 2 cocoa and products exporter, and a major sugar exporter. These and soybeans are Brazil's big commodities."

On balance, Brazil's future looks even brighter than its past. If Brazil keeps on course with its plans for agricultural development, it may be enough to offset negative factors. Over the long term, Mears believes the country will move ahead in the agricultural area and be an increasingly large supplier of a wide variety of farm products for the world market, as well as supply growing domestic needs.

For U.S. exporters, Brazil offers both significant potential for expanded sales and considerable frustration in trying to increase markets. Potential lies in the increasing population's growing demand for food and feed, the large tourist industry, and economic growth.

Frustrations stem from Brazil's protective trade policies favoring domestically produced goods, a balance-of-payments disequilibrium and resulting import restrictions, and preferential trading arrangements with other Latin American countries.

But it is anticipated that as Brazil's economic situation improves and import restrictions are relaxed, Brazil may become a more receptive market for U.S. exporters. □

Farm-Commodity Portion Of Soviet Imports Declines

The value of agricultural imports absorbed a smaller percentage of total Soviet foreign purchases in 1977 than in 1976, primarily because of reduced takings and lower prices of Western grain, according to a report from the Office of the U.S. Agricultural Attaché, Moscow.

Food (and raw materials for its manufacture) absorbed 20.8 percent of the Soviet import outlay in 1977 as compared with 22.8 percent in 1976. Even so, there were commodities of interest to U.S. exporters that registered sizable gains: Rice (42 percent), peanuts (42 percent), and meat and products (71 percent), along with increased purchases of almonds, citrus, dried fruit, nonconcentrated juices, tobacco, and seed.

Soviet imports of cotton (none from the United States) declined from 116,500 metric tons in 1976 to 94,400 tons last year—the lowest level in many years. The Soviet Union's purchases of U.S. soybeans during 1977 continued at about the same level as in 1976.

Soviet food/agricultural exports increased slightly from 3.0 (1976) to 3.1 (1977) percent of total exports, with volume gains in cotton (11 percent), wool (19 percent), tea (50 percent), and flax (1 percent). Grain exports apparently also climbed, as the ruble value figure more than doubled. Bigger grain exports were reported earlier by the Ministry of Foreign Trade sources and by world grain trade, but unlike previous years, no tonnage figures were given in the Soviet trade yearbook.

The outlook for 1978 trade in most commodities is little changed. While Soviet sugar reserves are believed to be good, low world prices may spur additional imports of sugar. □

Latin American Agreement Aids Agriculture

The Inter-American Development Bank has entered into an agreement to cooperate with the International Fund for Agricultural Development (IFAD) in IFAD's agricultural development projects in Latin America.

IFAD, whose headquarters are in Rome, was established to mobilize additional resources on concessional terms for agricultural projects in developing member countries.

The agreement established a target of $1 billion in contributions, most of which would come from petroleum producing countries which are members of the Organization of Petroleum Exporting Countries (OPEC) and from the industrialized nations of the Organization for Economic Cooperation and Development (OECD).

IFAD provides financing primarily for projects and programs specifically designed to create, expand, and improve food production systems in the least developed, food-deficit countries, as well as to encourage food production increases in other developing countries.

Under its agreement, IFAD is supposed to cooperate closely with other organizations concerned with agricultural development, and may entrust the administration of its loans to competent international institutions. The Inter-American Development Bank will assist the Fund in identifying projects that are economically viable. □

CCC Approves $162.2 Million In Farm Export Credits

Export credits valued at $162.2 million were approved during August 13-September 12 under USDA's CCC Export Credit Sales Program.

Export sales of corn accounted for $113.2 million of the total. A $110-million line of credit was extended to Romania to finance export sale of about 1.1 million tons of corn, and a $3.2-million credit to Greece covers export sale of about 32,000 tons of U.S. corn to Greece.

Credits totaling $30 million to finance export sales of about 6,500 metric tons of U.S. tobacco were established for Australia ($8 million), Ireland ($7 million), New Zealand ($5 million), and the United Kingdom ($10 million).

A $15-million credit for Cyprus is to finance export sale of about 124,000 tons of feedgrains ($12 million) and about 23,000 tons of wheat ($3 million). A separate $4 million credit for Cyprus covers sale of about 6,135 tons of U.S. vegetable oils.

Two credits previously extended to Poland were revised. A total of $12.3 million in credits to finance sale of U.S. linseed meal, soybean meal, and cottonseed meal ($6 million), vegetable oils ($5 million), and soybean ($1.3 million) has been transferred to feedgrains, and financing for meals, vegetable oils, and soybeans has been reduced proportionately.

A total of $1.5 million in credits previously allocated to finance sale of U.S. tallow and cotton to Poland has been transferred to feedgrains, bringing total credits available for feedgrain purchases by Poland to $247 million. □

Continued from page 5

Canadian Pork

inspected hog slaughter in western Canada fell from 43 percent of total Canadian pig slaughterings to 32 percent. Conversely, eastern hog slaughter climbed from 57 percent to 68 percent of the total.

The Province of Quebec registered the largest gains over this period—increasing its federally inspected hog slaughter by 61 percent. With such dramatic expansion, Quebec's hog slaughter actually exceeded that of Ontario by 1977. However, Ontario remained Canada's largest hog-producing Province because Quebec packers purchased some Ontario hogs. □

Soviet Meat Imports Large In 1977, None Made in 1978

Strong Soviet demand for meat and products in 1977 resulted in a near-record level of production, record meat imports, and a drop in exports. But as far as is known, there have been no Soviet meat purchases in 1978—and certainly none from Western sources.

Soviet data for 1977, released recently, shows total USSR imports of meat and meat products in 1977 were 617,000 tons, 255,000 tons greater than the reduced 1976 level of 362,000 tons, and 102,000 tons greater than the previous records of 515,000 tons set in 1974 and 1975. Soviet exports of meat and meat products fell from 41,000 tons in 1976 to 33,000 tons in 1977.

According to Soviet trade data, the largest import gains were in fresh, frozen red meats, which almost doubled in volume between 1976 and 1977 from 226,000 tons to 438,000, and in poultry meat, which more than doubled, rising from 58,000 tons to 121,000.

Imports of canned meat rose by 25 percent—from 61 million cans in 1976 to 75 million in 1977—while imports of canned meat with vegetables dropped by a third to 71 million cans.

Soviet imports of fresh frozen red meat came mostly from New Zealand, Australia, Romania, and Argentina, with the largest 1977 volume—105,500 tons—coming from New Zealand. Imports from France, which fell in 1976, continued to drop in 1977.

Bulgaria and the Netherlands were the only countries listed as supplying the Soviet Union with fresh, frozen poultry meat, although it is known the United States supplied a little over 6,000 tons in 1977.

Romania, Yugoslavia, and Somalia were the major suppliers of Soviet canned meat imports.

Despite the drop in total Soviet meat and meat product exports, those of fresh, frozen meat (including poultry meat) remained at the 1976 level of 8,000 tons. Exports of canned meat fell 16 percent from 75 million cans to 63 million cans.

Soviet fresh, frozen meat exports reportedly went to Switzerland, Sweden, and Norway. Most exports of canned meat exports went to Cuba.—*By Angel O. Byrne, ESCS.* □

Kenya Raises Pyrethrum Prices To Spur Output

Kenya, which supplies about 66 percent of the world's pyrethrum, must step up production by a sizable volume if the country is to maintain its share of the world market, according to Dale K. Vining, U.S. Agricultural Attaché, Nairobi.

Exports of 3,275 metric tons of pyrethrum flowers and powder were off in 1977 from the 1976 level of 3,665 tons. Extract exports were down in 1977 to 418 tons from 503 tons in the previous year. The value of all pyrethrum exports was about US$14.6 million.

The United States imported only 10 tons of flowers and powder in 1977, but was the biggest customer for pyrethrum extract, with imports of 82 tons.

Production began to decline in 1975/76, after peaking in 1974/75 at 15,095 tons. This has continued, and output for the 1977/78 season is forecast at only 10,000 tons. The principal factor responsible for the deterioration in output has been the relatively low price offered to producers vis-a-vis other crops, so that growers switched to more income-generating options.

From 1974 through 1977, average pyrethrum producer prices increased only by about 30 percent, compared with 307 percent for coffee, and 131 percent for tea.

Poor management of the smallholder marketing cooperatives was also a contributory factor, as was growers' failure to use high-yield seed varieties, especially in Kisii District, which produces about 60 percent of Kenya's total output.

The Pyrethrum Board receives its pyrethrum flowers from cooperative societies and cooperative farms, which contribute over 85 percent of total output. The rest of the crop is produced by large-scale farms whose significance is decreasing.

To arrest this downward trend, and in view of the current strong world demand for pyrethrum, the Pyrethrum Board of Kenya has increased by 15 percent the price offered to producers. Interim pool prices have also been raised.

Effective October 1, 1978, the basic interim price for pyrethrum will be about $76 per kilogram of pyrethrins. Pyrethrin content of dried pyrethrum flowers generally ranges between 1 and 2 percent. □

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International Meetings—November

Date	*Organization and location*
Late Oct.-early Nov.	U.S.-Korea economic discussion, Seoul.
In Nov.	Semi-annual consultations with European Community, Washington, D.C.
1-7	Pan-American Health Organization—Hemispheric meeting on foot-and-mouth disease and international trade in animals and animal products, Buenos Aires.
4	Agriculture Secretary Bergland to People's Republic of China.
6-10	UNCTAD—Third Preparatory Meeting on Cotton, Geneva.
6-24	UNCTAD—Negotiating Conference on Grains, London.
8-9	U.S.-Polish Trade Commission, 8th Session, Washington, D.C.
9-12	U.S. Meat Export Federation and American Meat Institute, annual meeting, Chicago.
13-24	International Sugar Organization, Council meeting, London.
14	American Fats and Oils Association, annual meeting, New York.
14-27	UNCTAD Negotiating Conference on a Common Fund, Geneva.
Mid-Nov.	Signing of U.S.-Bulgarian statement on agricultural cooperation and trade, Washington, D.C.
20-23	OECD 6th Working Conference of Representatives of Higher Education in Agriculture, Paris.
22-Dec. 6	FAO/WHO panel on pesticide residues and the environment, Rome.
25-26	International Institute for Cotton—General Assembly meeting, San Salvador.
26	International Cotton Advisory Committee—plenary meeting, San Salvador.
27-30	International Wheat Council, London.
27-Dec. 1	OECD Fruit and Vegetable Standardization Scheme, Paris.
27-Dec. 8	FAO Council, Rome.

Trade Teams—November

U.S. Teams Overseas

Date	*Organization*	*Visiting*
Oct. 14-Nov. 2	U.S. seed industry team	Belgium, Yugoslavia, Greece, Israel, Iran.
Oct. 21-Nov. 1	U.S. meat industry team	Japan, Hong Kong, Philippines.
Oct. 26-Dec. 1	Western Wheat board members	Iran, India, Thailand, Malaysia, Singapore, Hong Kong, Philippines, Taiwan, Japan, Korea.
Oct. 28-Nov. 11	Mohair Council of America team	United Kingdom, Italy, France, West Germany, Netherlands.
Nov. 2-Dec. 2	Wheat quality mission	United Kingdom, Netherlands, West Germany, Poland, Romania, Italy, Switzerland, Spain, France, Portugal, Norway.
4-18	American Soybean Association seminars	United Kingdom, Netherlands, Belgium, France, Italy.
4-19	California Table Grape Commission team	Japan, Hong Kong, Taiwan.
10-17	Northwest Horticultural Council team	Japan.
Nov. 12-Dec. 5	Dry Pea & Lentil Council team	Japan, Taiwan, Thailand, India, United Kingdom.

Foreign Trade Teams in the United States

Date	*Organization*	*Visiting*
Oct. 21-Nov. 11	Pakistan wheat team	Washington, Oregon, Montana, Kansas, Missouri, Washington, D.C.
Oct. 29-Nov. 13	French wheat trade mission	Illinois, North Dakota, Tennessee, Kansas, Louisiana, Washington, D.C.
18-24	Japanese wheat quality survey team	Washington, Oregon, Montana, North Dakota, Minnesota, California.
Nov. 19-Dec. 4	Polish grain team	Georgia, Kansas, Texas, Washington, D.C.